This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 001842

SIPDIS

STATE FOR WHA/CEN, WHA/EPSC, DRL/IL, OES, AND EB
STATE PASS USAID FOR LAC/CAM (LLIBANATI)
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GUATEMALA FOR COMMATT MLARSEN AND AGATT

E.O. 12958: DECL: 09/08/2015
TAGS: ECON EFIN EINV ELAB ETRD PGOV SENV KCRM HO
SUBJECT: HONDURAN PRESIDENT CALLS FOR BONUS PAYMENT TO WORKERS; PRIVATE SECTOR BALKS

REF: A) TEGUCIGALPA 1833

Classified By: Classified by EconChief PDunn for reasons 1.5(b,d)

¶1. (SBU) Summary: In an attempt to mitigate the impact on Honduran workers of Friday's sharp increases in fuel and consumables prices, President Maduro has proposed that businesses with fewer than 20 employees pay bonuses of 1000 lempiras (about USD 53), with larger businesses to pay 2000 lempiras (about USD 106) to each employee. The private sector has loudly rejected the proposal, and is pressuring Congress to reject the plan when it is formally submitted on September ¶7. Some businesses have threatened layoffs or shut-downs if the bill is passed. End Summary.

¶2. (U) In the face of sharp increases in fuel and consumables prices, on Friday, September 2, the GOH Council of Ministers met to consider requiring the private sector to pay bonuses to all workers. That same afternoon, the GOH-controlled price of gasoline was increased by 17 lempira (nearly one dollar) to 85 lempira per gallon (USD 4.50), and price increases of 10 percent for foodstuffs were announced.

¶3. (U) The current proposal calls for businesses with fewer than 20 employees to pay bonuses of 1000 lempiras (about USD 53), with larger businesses to pay 2000 lempiras (about USD 106) to each employee. All bonuses would be payable in lump-sum or in monthly installments through the end of the year. According to American Chamber of Commerce Deputy Executive Director Patricia Lopez, the GOH did not consult with the AmCham or other business groups before making the decision, nor has it indicated it would subsidize the payments in any way.

¶4. (U) The private sector responded immediately and negatively, pointing out that many businesses, stung by sharply higher fuel and transportation costs, could not afford to pay current wages. To add to this burden makes little sense, particularly when there is no guarantee that prices will fall in the near future. President of the Honduran Industrialists Association (ANDI) Adolfo "Fito" Facusse is publicly quoted saying, "Even if they take us to jail, we're not paying this bonus."

¶5. (U) Even before the bonus was made public, some firms are openly warning they might have to lay off workers if costs continue to rise. Oscar Galleano, President of the Cortes Chamber of Commerce (the second-largest chamber in the country and host to much of the maquila sector), has publicly stated that a number of firms have already approached him to warn that if this bonus requirement is enacted into law, they will have to lay off workers, and might have to consider relocation to Nicaragua.

¶6. (SBU) EconChief spoke to Jose Maria Agurcia, President of the Honduran Private Sector Council (COHEP), who said that his membership was furious and had been in meetings with the GOH for much of September 6 seeking to have the proposal rescinded. COHEP has taken a firm stand against the bonus payments, noting that small and medium enterprises will be unable to make such payments, resulting in job losses and business failures. Worse, Agurcia said, the poorest Hondurans, those the payment is allegedly aimed to help, are not formally employed but rather work in the informal sector, and so will not receive the bonus in any case. No one wins, Agurcia said, and the private sector loses.

¶7. (C) EconChief also spoke to Vice President of Congress Johnny Handal, who noted that the bond idea was so far only an executive proposal that will not be submitted to Congress for formal consideration until September 7. "What the President does is one thing," he said, "wait to see what the Congress does (on September 7)." Despite these words of reassurance, Agurcia later told EconChief that he fears Congressional President (and National Party presidential candidate) Porfirio "Pepe" Lobo "will take this issue and run with it. We (the private sector) could really get screwed tomorrow in Congress," he said. "He's done it to us before."

¶8. (U) Comment: Post will continue to follow this issue closely, as it directly impacts the economic viability of numerous U.S. investments in the maquila sector. Many of those businesses are medium-sized and are already struggling with slackening orders due to increased competition from China (reftel A), higher shipping fees (septel forthcoming), and higher fuel prices. End Comment.
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